

UNITED STATES SENATOR • IOWA

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Statement of Sen. Chuck Grassley
Committee on Finance Hearing
on Revenue Proposals in the Administration's Fiscal Year 2003 Budget Proposal
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Before I get into substance, I'd like to make a preliminary note about process. This committee has a very fine bipartisan tradition. The bipartisan tradition of this committee means bipartisan action here usually means bipartisan success on the Senate floor. Far too often the leadership seeks to stifle the bipartisan spirit of the committee. Sometimes it's Democratic leadership. Other times, it's Republican leadership. That stifling usually ends up guaranteeing that nothing happens. That means the very important issues this committee ends up dealing with are dead-ended by partisan objectives. Many times the people's business is not done because of those partisan objectives. What I hear from folks back home in Iowa is frustration with the partisanship. I believe Iowans' frustration reflects the frustration across America.

The proper use of this committee has been and, if I have my way, will continue to be an antidote to the partisan virus that has infected so many corridors in the Capitol. We've got a good track record here in this committee, Mr. Chairman, and I want to continue it. We produced bipartisan tax relief legislation and legislation providing trade promotion authority to the President. I pledge to you, Mr. Chairman, to bend over backward to keep this committee operating in a bipartisan manner. I hope other members, including our distinguished leaders, will join me.

Now, I'd like to move on to the substance of this hearing. Our topic today is the Administration's budget proposals for fiscal year 2003. This year, we look back one year and see a dramatic difference. Last year, as we began the budget process, we were told to expect a \$5.6 trillion surplus over ten years. Today, we will learn that, if stimulus is included, that we will face deficits for the years 2003 and 2004. If stimulus is not included, then, according to the Administration, it is likely that we will re-enter surpluses much sooner. Overall, the outlook, before considering the Administration's budget proposals, is that we will accumulate a surplus of \$2.2 trillion over the next 10 years.

At the outset, I'd like us to focus on the facts. We ought to use real numbers when we look at proposals. We ought to stay away from numbers that are inflated or generated by ideological think tanks with a particular partisan axe to grind. So, when we take a look at the current budget situation, we find that, in the short-term, most of the shortfall was generated by the recession and wartime spending. Over the long haul, less than half of the 10-year reduction in surplus is attributable to the broad-based bipartisan tax relief enacted last year. So, let's stick to the facts. Let's not demagogue the budget situation.

Now, some will argue that the only path to fiscal discipline is to maintain historically high

levels of federal taxation. Fiscal discipline is defined solely by repealing, restructuring, or otherwise cutting back the bipartisan tax relief legislation. Likewise, there is little or no alarm at the dramatic increases in spending that we've seen over the past few years. In other words, for this camp, there is only one side to the federal ledger, the revenue side. In their view, the only answer is higher taxes and higher spending. This viewpoint assumes no savings in spending are possible and that the federal government is as efficient as it can be. Well, Mr. Chairman, that view doesn't make any sense to me.

We have an interesting bit of history to consider, Mr. Chairman. In 1990, a bipartisan deal was struck in which Republicans yielded on higher taxes, principally raising the 28 percent rate to 31 percent. Democrats yielded on spending restraints through appropriations caps. Well, guess what? The spending caps are gone. The tax hikes are still in the law. Instead of raising taxes in a recession, the first step to restoring fiscal discipline ought to be an extension of the spending caps.

Today, we are to hear from our Secretary of the Treasury, Paul O' Neill. Secretary O'Neill is a plain-spoken man. He brings to us a CEO's focus on results and attention to detail. He will present a budget that has much bipartisan tax relief, much of it sponsored by members of this committee. As a matter of fact, you have to dig pretty deep to find anything in the President's tax relief package that isn't bipartisan. I look forward to Secretary O'Neill's testimony.